



ASRS REPORT

ARIZONA STATE RETIREMENT SYSTEM

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April 2009

This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website. If you would like to receive an email notice when the next issue is posted, and you are not already on our email list, please contact us at weeklyreport@azasrs.gov and provide your name, email address, telephone number and title and organization, if applicable.

ASRS News

Members invited to take on-line survey

In an ongoing effort to better serve our members, the Arizona State Retirement System has created an on-line survey to assist us in understanding member perceptions and concerns about their retirement plan. All ASRS members - active, inactive, disabled and retired - are encouraged to complete the survey, which includes optional areas for individual comments.

The ASRS will take into consideration the results as it continues to provide customer service and educational materials to members. Please note that the survey is for internal use only and will not be shared with any outside entities, and your responses are anonymous.

This survey contains 19 questions and should take 5-10 minutes to complete.

Please visit our website – www.azasrs.gov - and take this important survey when you have time.

Retiree benefit checks may change due to new tax withholdings

The tax withholdings for ASRS retirees' monthly benefit payments have changed due to federal and state tax withholding schedules. This may mean a change in the take-home benefit beginning as early as the April 2009 benefit.

Federal tax withholding tables have changed as a result of the federal American Recovery and Reinvestment Act. The result is likely an increase in your take-home benefit.

Currently, Arizona state tax is calculated as a percentage of the federal withholding. However, the Arizona legislature has passed legislation that will "decouple" the Arizona withholding tables from the federal tables, and instead create a separate tax withholding schedule.

This decoupling will become effective upon the Governor's signature. This could affect state withholdings as early as May 1, 2009. The result will likely be increased state tax withholding from the current rate.

These changes to tax withholdings - federal and state - are automatic and not under the control of the ASRS.

It's important to know that your overall tax liability does not change under the new withholding tables. The ASRS strongly encourages retirees to consult with a tax advisor before making any changes.

Retirees always have the option of changing their tax withholdings, and can do so on-line by logging into the secure area of the ASRS website. This can be done under the Log-In section of the ASRS homepage at www.azasrs.gov.

Furloughs and salary reductions may impact retirement benefits down the road

The Arizona State Retirement System has also received a number of inquiries related to the effects on retirement benefits that may be caused by furloughs, forced salary reductions and other measures that may be taken by employers during these difficult economic times.

A member's retirement in the **Defined Benefit Plan** is determined by a formula that takes into account the average annual salary calculation, years of service, and a graded multiplier that increases with years of service. Once a benefit is calculated, it provides a lifelong benefit that can never be reduced except for provisions under the retirement option selected at retirement. Factors that make up those components, however, can be affected by furloughs and salary reductions.

For a complete Question and Answer on this subject, please visit the website at www.azasrs.gov, under "New to the Web."

Bill proposes plan changes that would affect new ASRS members

With the state Legislature well into its session, and much of the focus still on budget issues, the ASRS is continuing to monitor one piece of legislation that would affect new ASRS members that is designed to produce long-term benefits to the retirement system.

House Bill 2111 includes prospective changes to the ASRS that, **if passed into law, would affect only members who join the ASRS on or after July 1, 2010.** The major provisions of the bill include:

- ✓ Modification of the Average Monthly Compensation formula used in a retiring member's retirement benefit calculation from the average of the highest 36 months in the last 120 months to the average of the highest 60 months in the last 120 months. The ASRS believes this would produce a more accurate salary and prevent or mitigate "salary spiking."
- ✓ Modification of one of the Normal Retirement date definitions from 80 points (age + years of service) to 85 points. This change would account for the fact that members are living longer and drawing benefits for a longer period of time.
- ✓ Elimination of employer contributions for members who leave the ASRS and withdraw their account balance. Currently, members who leave the ASRS and withdraw their account balances are entitled to contributions made on their behalf by their employer based upon your years of service.

Again, should these provisions in this bill become law, they would apply only to new members who join the ASRS on or after July 1, 2010.

Other provisions in the bill would remove the 80-percent cap on retirement benefits and permit contributions from a secondary employer only if the 20/20 rule for membership is met for that employer. These changes would apply to all members.

In total, the overall bill provisions are expected to save the ASRS fund nearly \$1 billion over time.

The ASRS will continue to monitor the progress of this bill and other legislation during the session. To view complete summaries of proposed legislation that relates to retirement issues, and to track progress of the legislation, please refer to the weekly ASRS Bill Tracker, which can be viewed on our website

Total Contribution Rate to temporarily decrease beginning July 1

The combined contribution rates paid by employers and members will decrease slightly beginning with the new fiscal year, starting July 1, 2009. The slight decrease in the total contribution rate was made possible by a reduction in the LTD portion.

These rates were set based upon the ASRS plan valuations as of June 30, 2008. Since that time, however, the overall markets, and the ASRS fund, have declined.

At this time, it's anticipated that the ASRS will be in the position of having to increase the rate for the Pension Plan and Health Insurance Benefit portion by about a half percent beginning July 1, 2010, with similar increases needed for several years subsequent to that.

However, for the upcoming fiscal year, the contribution rate is set.

Combined Pension Plan and Health Insurance Benefit:

Current Contribution Rate: 8.95%

Rate beginning July 1, 2009: 9.0%

Long-Term Disability (LTD):

Current Contribution Rate: 0.50%

Rate beginning July 1, 2009: 0.40%

Total Contribution Rate (Pension plus Health Insurance plus LTD):

Current Contribution Rate: 9.45%

Rate beginning July 1, 2009: 9.40%

Member Meetings

Educational meetings offered to inform, assist members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Know Your Benefits

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

Getting Ready for Retirement

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filing out the proper paperwork.

Know Your Insurance

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet providers, learn about the ASRS Premium Benefit, and how health insurance costs are determined.

Visit our website and click on the "Calendars" section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, April 17, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

Investment Committee

Monday, April 13, 3:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Operations Committee

Thursday, April 23, 10:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

External Affairs Committee

Friday, May 1, 10 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.